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SOURCE Vishwamitra.CRISIS IN THE INDIAN MOTOR INDUSTRY

Summary: The automobile is a luxury item in India. There are only two automobile manufacturing and 12 assembly plants in the country. The annual requirement is 30,000 cars, but only 3,840 vehicles were manufactured in 1950, despite the fact that the combined annual capacity of all the plants has been rated at 25,000 cars.

The Planning Commission is seeking to boost production to 25,000 automobiles by 1955 - 1956. A special committee has recommended protective measures on imports to foster the automobile industry in India.

The Indian automobile industry has been adversely affected by the current drop in market prices, which has shaken the foundations of some of our important industries. The situation has become so serious that Hindustan Motors, Ltd., Calcutta, the larger of two of the nation's automobile manufacturing concerns, was recently forced to shut down its plant. Officials of the company warned the government that the Indian automobile industry must be accorded greater protection, and that it will be unable to produce cars under present conditions unless the government revises its policy on imports of automobile and automobile parts.

Chintamani Deshmukh, the Indian Finance Minister, who has been studying the development and progress of the Indian automobile industry, believes that it is feasible to manufacture automobiles in India. It is for this reason that individuals close to the government are anticipating certain appropriations in the next year's budget to protect the struggling industry.

Government officials have indicated that they will not consider protection unless it is beneficial both to the industry and to the nation. Still others have emphasized that the automobile industry must be saved so as to foster

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prosperity and security in the country. They hope that in time, India will be able to export its motor vehicles to the countries of Southeast Asia.

After a year's study, several recommendations were submitted in June 1951 by the special committee established by the government to investigate the problem of protecting the motor industry in India. The committee maintained that a special tariff of 24 percent be levied on automobile parts now being imported and which are not expected to be manufactured in India in the next 2 years. This would be in addition to the 30-percent tariff currently imposed on all other parts. It also recommended a protective tariff for parts which are manufactured in India at present.

It has been learned that under this advisement, the government is considering the problem of extending protection to domestic industries engaged in the manufacture of automobile parts so as to establish considerable price differences between imported and domestic manufactured parts. It has been pointed out that Indian industries cannot hope to survive unless this ratio is maintained.

The government is also considering the extent to which it can utilize the output of the 12 assembly plants in India. At present, these plants assemble the cars by importing parts from foreign countries. However, they all have future plans to manufacture such parts by themselves.

There are only two major automobile-manufacturing plants in India, in addition to the 12 assembly plants mentioned above. One is the Hindustan Motors, Ltd. and the other is Premier Automobiles, Ltd., Bombay. The assembly plants have a total capital outlay and facilities amounting to 90 million rupees, but the combined resources of Hindustan and Premier alone reach 70 million rupees.

India's annual motor vehicle requirement is about 30,000 cars, including trucks and taxis. The annual total capacity of all plants in the country is 25,000, but they were able to turn out only 3,840 cars during 1950. The Planning Commission has recommended that the annual automobile output be increased to 25,000 by 1955 - 1956.

A motor vehicle company in the US and the UK is not considered financially secure unless it can produce 100,000 cars annually. But it is also true that auto manufactures in Italy and France are still solvent, although they produce only 10,000-20,000 cars a year. Indian manufactures would like to feel that they, too, can be successful on the smaller scale.

Motor vehicles in India are distributed as follows:

<u>State</u>	<u>No of Automobiles</u>	<u>No of Trucks</u>	<u>No of Busses</u>
Assam	4416	3741	1657
Bihar	7547	3880	1370
Bombay	34741	15124	3412
Madhya Pradesh	4646	3670	1335
Madras	19635	7306	4078
Orissa	1970	1752	560

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<u>State</u>	<u>No of Automobiles</u>	<u>No of Trucks</u>	<u>No of Busses</u>
Punjab	3004	2540	1303
Uttar Pradesh	18847	9904	4605
West Bengal	24361	11953	2359
Hyderabad	7263	3257	1023
Kashmir	689	--	1454
Madhya Bharat	2341	739	386
Mysore	4799	1547	683
PEPSU	1020	366	444
Rajasthan	4944	2086	1159
Saurashtra	3145	1550	300
Travancore-Cochin	3858	1941	1585
Delhi	7977	1473	526
Total	155,203	12,829	28,279

Figures for Class C states and others are not available. The above table indicates that an automobile is a luxury and that it is available to only a few individuals in India.

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